New Research Response Format

Uniform CPA Examination

March 2008

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The New Research Response Format

- Simplifies the way candidates respond to the research question

- Rollout in July, 2008

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Key Changes

- Question, Authoritative Literature, and Response control are on a single tab – no need to split the screen

- Help for the research response format is available on the same tab

- Tab will be called "Research / Authoritative Literature" in all 3 exam sections with simulations

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Other Changes

- The Directions tab has been updated for clarity and to include a description of the Research / Authoritative Literature tab

- The Standards tab (in AUD and FAR) and the Code tab (in REG) have been replaced by the Research / Authoritative Literature tab

See the new Directions tab on the next slide

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Copy | Paste | Calculator | Sheet | Help | Unsplit | Split Horiz | Split Vert | Done

Directions | Resources | ⃒ Gain/Basis | ⃒ Depreciation | ⃒ Communication | ⃒ Research / Authoritative Literature

In the following simulation, you will be asked to complete various tasks. You may use the content in the **Information Tabs** to complete the tasks in the **Work Tabs**.
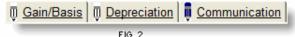
Information Tabs:

Directions | Resources

FIG. 1

- o Go through each of the **Information Tabs** to familiarize yourself with the simulation content
- o The **Resources** tab will contain information, including formulas and definitions, that may help you to complete the tasks
- o Your simulation may have more **Information Tabs** than those shown in Fig. 1

Work Tabs:

⃒ Gain/Basis | ⃒ Depreciation | ⃒ Communication

FIG. 2

- o **Work Tabs**, to the right of the **Information Tabs**, contain the tasks for you to complete
- o **Work Tabs** contain directions for completing each task - be sure to read these directions carefully
- o The tab names in Fig. 2 are for illustration only - yours may differ
- o Once you complete any part of a task, the pencil for that tab will be shaded (see **Communication** in Fig. 2)
- o The shaded pencil does **NOT** indicate that you have completed the entire task
- o You must complete all of the tasks in the **Work Tabs** to receive full credit

Research / Authoritative Literature Tab:

⃒ Research / Authoritative Literature

FIG. 3

- o This tab contains both the Research task and the Authoritative Literature
- o Detailed instructions for completing the Research task, and for using the Authoritative Literature, appear on this tab
- o You may use the Authoritative Literature as a resource for completing other tasks

Note: If you believe you have encountered a software malfunction, report it to the test center staff immediately.

The New Research Response Format

- The Research / Authoritative Literature tab is divided into 3 areas:
  - Step 1 - Research Question
  - Step 2 - Search
  - Step 3 - Answer

See the new Research / Authoritative Literature tab on the next slide

Time Remaining
30 minutes

Copy Paste Calculator Sheet Help Unsplit Split Horiz Split Vert Done

Directions | Resources | 🖊 Gain/Basis | 🖊 Depreciation | 🖊 Communication | 🖊 Research / Authoritative Literature

| VIEW DIRECTIONS | VIEW QUESTION |

Step 1 - Research Question

During its initial tax year, Sabre Consulting incurred $2,000 of legal fees and $750 of accounting fees to organize the partnership. What code section and subsection permits the partnership to elect to deduct these expenses for federal tax purposes?

Step 2 - Search

Step 3 - Answer

History | Search Result | Advanced Search | Help

BACK Home

Search: [   ] SEARCH ALL SEARCH WITHIN

Table of Contents

📁 Authoritative Literature

Uniform CPA Examination Authoritative Literature

To access the Authoritative Literature:

Click on Table of Contents folders at left to locate and open appropriate documents

OR

Perform a search for a particular topic by entering text in the text box above. Use the buttons to the right and links above the text box to perform more detailed or advanced searches.

There are currently no choices available because no document has been selected. Use the pane to the left to navigate to a document that has choices.

Research Directions

- Directions for using the new research response format are available by clicking on the "View Directions" link at the top of the tab

See the Research directions on the next 2 slides

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Directions | Resources | ⓘ Gain/Basis | ⓘ Depreciation | ⓘ Communication | ⓘ Research / Authoritative Literature

| VIEW DIRECTIONS | VIEW QUESTION |

HOW TO ANSWER THE RESEARCH QUESTION

Below are directions for answering the research question. You can return to the research question at any time by clicking the VIEW QUESTION link above.

| VIEW DIRECTIONS | VIEW QUESTION |

To answer the research question, follow these 3 steps. <u>The research question below is an example – yours will be different.</u>

1. **Read the question.** The question is located near the top of the screen beneath the *Step 1 – Research Question* banner. Here is an example:

   ### Step 1 - Research Question

   In year 2, the partnership paid Miller $30,000 for services rendered to the partnership. The payments qualified as a guaranteed payment. What code section and subsection provides that payments made to a partner for services rendered to a partnership are considered as made to one who is not a member of the partnership for purposes of section 61(a) and section 162(a)?

   SAMPLE

2. **Search the authoritative literature for the best answer using the search engine under the *Step 2 – Search* banner.** When you navigate to a document, all possible answers in that document will automatically be displayed in the *Step 3 – Answer* area. In the example below, Section 707 is the current document, and all possible answers for Section 707 are displayed in the Answer area.

   If you need help with searching, click on the Help link provided

   Section 707 is the current document...

   ... and all possible answers within Section 707 are displayed here.

   Click here for search help

   ### Step 2 - Search
   History | Search | Advanced Search | Help

   [← BACK] [Home]

   Search: nteed payments partnership 61(a) [SEARCH] [→SEARCH WITHIN]

   ▶ §707 Transact
   §708 Continuat
   §709 Treatmen
   📁 Part II CONTRIB

   Authoritative Literature/Internal Revenue Code/Current Code/Subtitle A Income Ta... §§1-1564/Chapter 1 NORMAL TAXES AND SURTAXES §§1-1400T/Subchapter K Partners and P...erships §§701-777/Part I DETERMINATION OF TAX LIABILITY §§701-709/§707 Transactions between P...ner
   directly or indirectly, more than 50 percent of the capital int...st or profits interests,

   ### Step 3 - Answer
   Choose your answer from the list below:

Copy Paste Calculator Sheet Help Unsplit Split Horiz Split Vert Done

Directions | Resources | Gain/Basis | Depreciation | Communication | Research / Authoritative Literature

| VIEW DIRECTIONS | VIEW QUESTION |

Subchapter O Ga
Subchapter P Ca
Subchapter Q Re
Subchapter R Ele
Subchapter S Ta
Subchapter T Co
Subchapter U De
Subchapter V Tit
Subchapter W Di
Subchapter X Re

rules for constructive ownership of stock provided in section 267(c) other than paragraph (3) of such section .

(c) Guaranteed payments

To the extent determined without regard to the income of the partnership, payments to a partner for services or the use of capital shall be considered as made to one who is not a member of the partnership, but only for the purposes of section 61(a) (relating to gross income) and, subject to section 263, for purposes of section 162 (a) (relating to trade or business expenses).

3. **Click on your answer.** A message below the *Step 3 – Answer* banner will serve as a confirmation of your answer. You can change your answer if you choose to do so. You can only choose one answer.

Step 3 - Answer

Your selected response is:
§707(c)

To change your answer, select a different response from the list below:

○ §707(a)
○ §707(b)
● §707(c)

How It Works

- When the candidate navigates to a document, either by searching or by clicking in the Table of Contents, the Answer pane will update itself with all possible responses in that document.

See example on next slide

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Time Remaining
3 hours 58 minutes

Copy | Paste | Calculator | Sheet | Help | Unsplit | Split Horiz | Split Vert | Done

Directions | Resources | Gain/Basis | Depreciation | Communication | **Research / Authoritative Literature**

VIEW D

Step 1 - Research Question

When the candidate navigates to a document, the Table of Contents displays the document title...

incurred $2,000 of legal fees and $750 of accounting fees to organize the ection permits the partner or federal tax

...the document pane displays the content...

Step 3 - Answer

Step 2 - Search

History | Advanced Search | Help

Search: [ ] SEARCH ALL | SEARCH WITHIN

◀ BACK | H

▶ **§707 Transactions**

§708 Continuation of

§709 Treatment of o

Part II CONTRIBUTION

Part III DEFINITIONS

Part IV SPECIAL RULE

Subchapter L Insuranc

Subchapter M Regulat

Subchapter N Tax Bas

Subchapter O Gain or

Subchapter P Capital

Subchapter Q Readjus

Subchapter R Election

Subchapter S Tax Tre

Subchapter T Coopera

Subchapter U Designa

Subchapter V Title 11

Subchapter W District

Subchapter X Renewa

Authoritative Literature/Internal Revenue Code/Current Subtitle A Income Taxes §§1-1564/Chapter 1 NORMAL TAXES AND SURTAXES §§1-1400T Subchapter K Partners and Partnerships §§701-777/Part I DETERMINATION OF TAX LIABILITY §§701-709/§707

(b) Certain **sales** or exchanges of property with respect to controlled partnerships.

(1) Losses disallowed.No deduction shall be allowed in respect of losses from sales or exchanges of property (other than an interest in the partnership), directly or indirectly, between—

(A) a partnership and a person owning, directly or indirectly, more than 50 percent of the capital interest, or the profits interest, in such partnership, or

(B) two partnerships in which the same persons own, directly or indirectly, more than 50 percent of the capital interests profits interests.

In the case of a subsequent sale or exchange by a transf described in this paragraph, section 267(d) shall be app the loss were disallowed under section 267(a)(1) . For section 267(a)(2), partnerships described in subparagra paragraph shall be treated as persons specified in sectio

Choose your answer from the list below:

○ §707(a)
○ §707(b)
○ §707(c)

...and all possible responses in that document are automatically displayed in the answer pane

How it Works (cont.)

- To answer, the candidates click on their choice

An example follows

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Time Remaining
3 hours 45 minutes

Copy | Paste | Calculator | Sheet | Help | Unsplit | Split Horiz | Split Vert | Done

| Directions | Resources | 🗏 Gain/Basis | 🗏 Depreciation | 🗏 Communication | 🗏 **Research / Authoritative Literature** |

| VIEW DIRECTIONS | VIEW QUESTION |

Step 1 - Research Question

...and their responses are confirmed here

During its initial tax year, Sabre Consulting incurred $2,000 of legal fees and $750 of accounting fee[s] partnership. What code section and subsection permits the partnership to elect to deduct these exp[enses] purposes?

Step 2 - Search

Candidates click here...

Step 3 [Ans]wer

🔙 BACK | Home

Search: [_____] | [...rch | Help]

[...CH WITHIN]

Authoritative Literature/Internal Revenue Code/Current Code/Subtitle A [...Taxes §§1-1564/Chapter 1 NORMAL TAXES AND SURTAXES §§1-1400T/Subchapter K Pa[...] Partnerships §§701-777/Part I DETERMINATION OF TAX LIABILITY §§701-709/§70[...]

▶ 🗏 **§707 Transactions**
🗏 §708 Continuation of
🗏 §709 Treatment of o[...]
📁 Part II CONTRIBUTION[...]
📁 Part III DEFINITIONS
📁 Part IV SPECIAL RULE[...]
📁 Subchapter L Insuranc[...]
📁 Subchapter M Regulat[...]
📁 Subchapter N Tax Bas[...]
📁 Subchapter O Gain or [...]
📁 Subchapter P Capital [...]
📁 Subchapter Q Readjus[...]
📁 Subchapter R Election[...]
📁 Subchapter S Tax Tre[...]
📁 Subchapter T Coopera[...]
📁 Subchapter U Designa[...]
📁 Subchapter V Title 11[...]
📁 Subchapter W District[...]
📁 Subchapter X Renewa[...]

(b) Certain sales or exchanges of property with respect to co[ntro]lled partnerships.

(1) Losses disallowed. No deduction shall be allowed in respect o[f] losses from sales or exchanges of property (other than an interest in the partnership), directly or indirectly, between—

(A) a partnership and a person owning, directly or indirectly, more than 50 percent of the capital interest, or the profits interest, in such partnership, or

(B) two partnerships in which the same persons own, directly or indirectly, more than 50 percent of the capital interests or profits interests.

In the case of a subsequent sale or exchange by a transferee described in this paragraph, section 267(d) shall be applicable as if the loss were disallowed under section 267(a)(1) . For purposes of section 267(a)(2), partnerships described in subparagraph (B) of this paragraph shall be treated as persons specified in section 267(b) .

Your selected response is:
§707(b)

To change your answer, select a different response from the list below:

○ §707(a)
◉ §707(b)
○ §707(c)

What happens next?

- The tutorial and sample tests will be updated to reflect the new research question format.

- The updated tutorial and sample tests will be posted on the CPA Examination website, www.cpa-exam.org during the second quarter of 2008.

- The new research question format will appear on the examination beginning in the third quarter of 2008.

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